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OF GUAM**

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January 18, 2022

Senator Clynton E. Ridgell  
Chairperson  
Committee on Economic Development  
Agriculture, Power and Energy Utilities,  
and the Arts  
36<sup>th</sup> Guam Legislature  
238 Archbishop Flores St.  
Suite 906-DNA Building  
Hagatna, GU 96910

Re: Testimony of Acting Chairman Peter Montinola, Guam Public Utilities  
Commission, on Bill No. 212-36(COR)

Dear Chairperson Ridgell:

The Guam Public Utilities Commission ["PUC"] appreciates the opportunity to comment on proposed Bill No. 212-36(COR). The PUC supports the Bill. The Guam Power Authority should be given the opportunity to seek to refinance its 2012 Revenue Bonds.

GPA requests that the Legislature enact Bill No. 212-36(COR) so that it may be allowed to refinance its 2012 Bonds at a lower interest rate. GPA submits that, due to

historically low interest rates, it is now financially advantageous for GPA to seek refinancing. Since interest rates are predicted to rise soon, the opportunity could be lost unless expeditious action is taken. This refinancing is a “part of the overall plan to lower rates for power rate payers within the next 3 years.”

Earlier in July of this year, GPA did file a Petition with the PUC seeking approval of Bond Issuance to refinance a Portion of the Outstanding 2012 Series A Revenue Bonds. However, since there was no Legislation enacted by the Guam Legislature which authorized the refinancing of the 2012 Revenue Bonds, the PUC was compelled to deny the Petition. The Commission held that: “further consideration at present would be premature, unless and until there is Legislation authorizing the refunding and approval by both the Governor and GEDA.”

GPA believes that the restructuring of a 2012 A Bonds will maximize GPA’s annual cash flow savings of approximately \$15.3 million beginning 2024 through 2030. GPA has also submitted a Report from its Underwriter, Bank of America Securities/Wells Fargo, indicating various scenarios for the refunding of the 2012 Revenue Bonds. Different Scenarios convey the possibility that there could be substantial savings resulting from the refunding.

Under the established procedure, once the Legislature enacts Legislation approving the refunding, GPA will work with GEDA and the Governor to establish the details of the refunding. The PUC is ordinarily the last body to review a proposed refunding; GPA would subsequently file a Petition with the PUC, and the PUC would determine, at that time, whether the refunding meets the terms and conditions in the legislation and whether the proposed savings are adequate to justify the costs of the refunding.

In the past the PUC has exercised a demanding review of GPA requests for bond refunding. PUC has on occasion disapproved such refundings when it believed that the proposed savings were not adequate to justify the refunding.

The Bill does contain standards terms and conditions for the approval of bond issuances, including the requirement that the present value of debt service on the refunding bonds shall be at least 2% less than the present value of debt service on the prior bonds, using the yield on the refunding bonds as the discount rate.

At this time, the PUC cannot yet determine whether it will support this bond refunding. It will make that determination only after a thorough review when GPA files the appropriate petition. However, based upon all the information that GPA has provided, it is appropriate for the Legislature to enact Bill No. 212-36(COR), so that GPA may have a full opportunity to present its case to the appropriate entities as to why the bond refunding should be approved.

Section 1 does establish that the issuance of the revenue bonds by GPA will be subject to approval by the Consolidated Commission on Utilities ("CCU"), I Maga'hågan Guahan, the GPUC, and the Board of Directors of GEDA. There is certainly a possibility that refunding of the 2012 Revenue Bonds could result in rate savings to the ratepayers of Guam. GPA should have full authorization, for which Legislation is required, to undertake the bond reissuance review and approval process. The PUC respectfully requests that the Senators of this Committee support Bill No. 212-36(COR), and that the Guam Legislature enacts this Legislation.

Sincerely,



Peter Montinola  
Acting Chairman  
Guam Public Utilities Commission